

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF PORTER	County CASS
Audit Date March 31, 2006	Opinion Date May 11, 2006	Date Accountant Report Submitted to State August 31, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Karl L. Drake, CPA			
Street Address 3775 Kimmel Road		City Horton	State MI
Zip 49246		Accountant Signature 	

TOWNSHIP OF PORTER

CASS COUNTY MICHIGAN

FINANCIAL STATEMENTS

MARCH 31, 2006

TOWNSHIP OF PORTER

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INDEPENDENT AUDITOR'S REPORT

Township Board
Township of Porter
Cass County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Porter, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Porter's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Porter as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with United States generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006, on our consideration of the Township of Porter's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants.

Township Board
Township of Porter

The administration's discussion and analysis and budgetary comparison information on pages 3 through 7 and page 29 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Porter's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in cursive script, reading "Karl L. Drake".

Karl L. Drake, P.C.
Certified Public Accountant

May 11, 2006

This section of the Township of Porter's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2006. It is best read in conjunction with the Township's financial statements that follow this section.

Overview

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Township of Porter financially and the two types of statements present different views of the Township. The government-wide statements reflect information about the activities of the entire Township, presenting an aggregate view and a longer-term view of the Township's overall financial status. The fund financial statements focus on individual components of Township government, reporting the Township's operations in more detail and demonstrating how services were financed in the short term.

Government-wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Township as a whole using accounting methods similar to those used by private-sector companies. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid. The two government-wide statements report the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health or position. Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's roads.

The government-wide financial statements of the Township are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as public works, roads and general administration. Property taxes and state revenue sharing finance most of these activities.
- *Business-type activities* - Operation and maintenance of the sanitary sewer system is included here. The Township charges fees to customers to cover the costs of providing this service.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant funds, not the Township as a whole. The Township Board establishes funds as needed to help it control and manage money for particular purposes or to demonstrate that it is meeting legal responsibilities.

The Township currently has two types of funds:

Governmental funds - Most of the Township's basic services are included in governmental funds that focus on how money flows in and out and the balances remaining at year-end that are available for spending. Activity is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the Township that helps you determine whether there are more or fewer resources that can be spent in the near future to finance the Township's programs. We describe the relationship between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

Proprietary funds - Services for which the Township charges customers a fee are reported in proprietary funds. Proprietary fund statements provide both long and short-term financial information. The Township's enterprise fund, the Sewer Fund, is a type of proprietary fund.

The Township as a Whole

The statement of net assets presents the perspective of the Township as a whole. Table 1 provides a summary of the Township's net assets as of March 31, 2006 and 2005, in thousands of dollars.

TABLE 1	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current and Other Assets	\$ 96.0	\$ 148.9	\$ 15,364.9	\$ 24,194.0	\$ 15,460.9	\$ 24,342.9
Capital Assets	352.9	369.1	15,122.7	5,834.2	15,475.6	6,203.3
TOTAL ASSETS	448.9	518.0	30,487.6	30,028.2	30,936.5	30,546.2
LIABILITIES						
Current Liabilities	4.1	29.3	11,131.8	13,083.6	11,135.9	13,112.9
Long-Term Liabilities	---	---	16,250.0	17,100.0	16,250.0	17,100.0
TOTAL LIABILITIES	4.1	29.3	27,381.8	30,183.6	27,385.9	30,212.9
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	352.9	369.1	-1,977.3	-272.0	-1,624.4	97.1
Restricted	---	---	5,067.4	116.6	5,067.4	116.6
Unrestricted	91.9	119.6	15.7	---	107.6	119.6
TOTAL NET ASSETS	\$ 444.8	\$ 488.7	\$ 3,105.8	\$ -155.4	\$ 3,550.6	\$ 333.3

The Township as a Whole (Continued)

In both the governmental and business-type activities, capital assets are depreciated on a straight-line basis.

In the business-type activities, \$16,250,000 of the long-term debt represents sewer bond proceeds and will be repaid from special assessment revenues as the debt service comes due.

The Township's combined net assets were \$3,550.6 thousand at March 31, 2006. Capital assets (net of related debt) totaling \$-1,624.4 thousand compares the historical cost, less depreciation, to the long-term debt used to finance the acquisition of those assets. In the business-type activities the Township currently has \$5,067.4 thousand of restricted net assets. (Restricted net assets are reported separately to reflect any assets that cannot be used for daily operations due to legal constraints from debt covenants.) The \$107,606 in combined unrestricted net assets reflects the accumulated results of all past years' operations.

The following table shows the revenue and expense activity during the current and past fiscal years and the change in net assets (in thousands of dollars), as reported in the statement of activities.

TABLE 2	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
REVENUE						
Program Revenue						
Charges for services	\$ 20.4	\$ 96.0	\$ 81.8	\$ ---	\$ 102.2	\$ 96.0
General Revenue						
Property taxes	163.6	156.2	---	---	163.6	156.2
State Entitlements	261.5	252.2	---	---	261.5	252.2
Special Assessments	---	---	3,582.6	116.6	3,582.6	116.6
Interest earnings	0.8	1.1	282.0	238.6	282.8	239.7
Other	108.1	61.9	---	---	108.1	61.9
TOTAL REVENUE	554.4	567.4	3,946.4	355.2	4,500.8	922.6
EXPENSES						
General Government	284.2	476.9	---	---	284.2	476.9
Public Safety	187.4	301.0	---	---	187.4	301.0
Public Works	68.2	26.0	---	---	68.2	26.0
Recreation	---	---	---	---	---	---
Interest On Long-Term Debt	---	---	619.1	339.0	619.1	339.0
Depreciation (Unallocated)	16.1	14.9	---	---	16.1	14.9
Sewer	---	---	66.2	171.6	66.2	171.6
Transfers Out	42.4	23.4	---	---	42.4	23.4
TOTAL EXPENSES	598.3	842.2	685.3	510.6	1,283.6	1,352.8
CHANGE IN NET ASSETS	\$ -43.9	\$ -274.8	\$ 3,261.1	\$ -155.4	\$ 3,217.2	\$ -430.2

Governmental Activities

License and permit revenue increased by \$40,000. Most of this increase was related to permits necessary for sewer hook-ups. State shared revenue increased by \$9,000.

Expenditures decreased by over \$200,000, primarily due to decreasing legal fees. In the prior year, large sums were spent on attorneys' fees contesting the sewer construction.

Business-Type Activities

A sewer system is being installed, and is still in the construction stages. The Township is just beginning to receive revenue from this project. The Township has entered into a 20-year contract with the county for this project. A sewage treatment plant has been built to service the new sewer system. Usage fees are just starting to be collected as users hook up to the system.

The Township's Funds

An analysis of the Township's major funds follows the government-wide financial statements. As noted earlier, the Township creates funds to help manage money for specific purposes and to demonstrate accountability for certain activities. The Township's major governmental fund is the General Fund.

The General Fund pays for most of the Township's governmental services and supports capital improvements. The General Fund is supported mainly by property taxes and state shared revenue. As we completed the year, the governmental funds reported a combined fund balance of \$91,877, a decrease of \$27,755 from the previous year.

General Fund Budgetary Highlights

The budget was amended during the past fiscal year for auditor fees and zoning expenses.

TOWNSHIP OF PORTER

Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of the 2005-06 fiscal year, the Township managed capital assets valued at over \$6 million including property, buildings, roads, drains, equipment, and sewer lines.

	Capital Assets					
	Net of Accumulated Depreciation					
	(dollars are in thousands)					
	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Non-Depreciable Assets						
Land	\$ 10	\$ 10	\$ ---	\$ ---	\$ 10	\$ 10
Depreciable Assets						
Buildings	475	475	---	---	475	475
Sewer System	---	---	15,123	5,834	15,123	5,834
Vehicles	---	---	---	---	---	---
Equipment	34	34	---	---	34	34
Total	\$ 519	\$ 519	\$ 15,123	\$ 5,834	\$ 15,642	\$ 6,353

Economic Factors and Next Year's Budgets and Rates

The board is attempting to cut back on expenses to again build up the financial reserves. No road work was completed the last fiscal year. This year the budget includes resources to do some road work.

As for the Township's business-type activity, currently minimal revenue is coming in from the sewage treatment plant. An operational budget is still being formulated, but the system will not be fully functional for several months.

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township Clerk, 69373 Baldwin Prairie Road, Union, MI 49130.

STATEMENT OF NET ASSETS

MARCH 31, 2006

	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 81,916	\$ 5,355,780	\$ 5,437,696
Due From Other Governmental Units	---	---	---
Accounts Receivable	14,034	9,122	23,156
Prepaid Expenditures	---	---	---
Total Current Assets	95,950	5,364,902	5,460,852
Non-current Assets			
Capital Assets	519,282	15,122,666	15,641,948
Less: Accumulated Depreciation	-166,312	---	-166,312
Total Non-current Assets	352,970	15,122,666	15,475,636
Other Assets			
Special Assessments Receivable	---	9,110,948	9,110,948
TOTAL ASSETS	\$ 448,920	\$ 29,598,516	\$ 30,047,436
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 4,073	\$ ---	\$ 4,073
Accrued Interest	---	281,813	281,813
Bonds Payable, Due within One Year	---	850,000	850,000
Total Current Liabilities	4,073	1,131,813	1,135,886
Non-current Liabilities			
Bonds Payable	---	16,250,000	16,250,000
Compensated Absences and Severance Pay	---	---	---
Total Non-current Liabilities	---	16,250,000	16,250,000
Other Liabilities			
Deferred Revenue Special Assessments	---	9,110,948	9,110,948
TOTAL LIABILITIES	4,073	26,492,761	26,496,834
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	352,970	-1,977,334	-1,624,364
Restricted for Debt Service	---	2,763,807	2,763,807
Restricted for Construction	---	2,303,553	2,303,553
Unrestricted	91,877	15,729	107,606
TOTAL NET ASSETS	444,847	3,105,755	3,550,602
TOTAL LIABILITIES AND NET ASSETS	\$ 448,920	\$ 29,598,516	\$ 30,047,436

See Accompanying Notes to Financial Statements

TOWNSHIP OF PORTER

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2006

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS						
Governmental Activities						
General Government	\$ 284,159	\$ ---	\$ ---	\$ -284,159	\$ ---	\$ -284,159
Public Safety	187,380	6,791	---	-180,589	---	-180,589
Public Works	68,156	13,637	---	-54,519	---	-54,519
Recreational and Cultural	---	---	---	---	---	---
Interest on Long-Term Debt	---	---	---	---	---	---
Depreciation (Unallocated)	16,107	---	---	-16,107	---	-16,107
Transfer to Other Government	42,486	---		-42,486		-42,486
Total Governmental Activities	598,288	20,428	---	-577,860	---	-577,860
Business-Type Activities						
Sewer	66,089	81,757	---	---	15,668	15,668
Interest on Bonds Payable	619,113	---	---	---	-619,113	-619,113
Total Business-Type Activities	685,202	81,757	---	---	-603,445	-603,445
Total Activities	\$ 1,283,490	\$ 102,185	\$ ---	\$ -577,860	\$ -603,445	\$ -1,181,305
General Revenue						
Taxes						
Property Taxes, Levied for General Operations				\$ 163,579	\$ ---	\$ 163,579
Property Taxes, Levied for Debt Service				---	---	---
State of Michigan Aid, Unrestricted				261,494	---	261,494
Special Assessment				---	3,327,691	2,694,593
Special Assessment Interest				---	254,873	887,971
Interest Earnings				794	282,023	282,817
Other				108,131	---	108,131
Total General Revenue				533,998	3,864,587	4,398,585
CHANGE IN NET ASSETS				-43,862	3,261,142	3,217,280
NET ASSETS - BEGINNING OF YEAR				488,709	-155,387	333,322
NET ASSETS - END OF YEAR				\$ 444,847	\$ 3,105,755	\$ 3,550,602

See Accompanying Notes to Financial Statements.

BALANCE SHEET - GOVERNMENTAL FUNDS**MARCH 31, 2006**

	General	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 81,916	\$ ---	\$ 81,916
Taxes and Fees Receivable	11,044	---	11,044
Due from Other Governmental Units	---	---	---
Due from Other Funds	2,990	---	2,990
Inventories	---	---	---
Prepaid Expenditures	---	---	---
TOTAL ASSETS	\$ 95,950	\$ ---	\$ 95,950
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 4,073	\$ ---	\$ 4,073
Accrued Salaries and Withholdings	---	---	---
Due to Other Funds	---	---	---
Deferred Revenue	---	---	---
TOTAL LIABILITIES	4,073	---	4,073
FUND BALANCES			
Reserved for Inventories	---	---	---
Unreserved, Designated	100	---	100
Unreserved and Undesignated	91,777	---	91,777
TOTAL FUND BALANCES	91,877	---	91,877
TOTAL LIABILITIES AND FUND BALANCES	\$ 95,950	\$ ---	\$ 95,950
TOTAL GOVERNMENTAL FUND BALANCES			\$ 91,877
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources, and are not reported in the funds:			
Cost of the Capital Assets is			\$ 519,282
Accumulated Depreciation is			<u>-166,312</u>
			352,970
Long-term Liabilities are not due and payable in the current period and are not reported in the fund			
Bonds Payable			---
Compensated absences			---
Accrued interest is not included as a liability in governmental funds			<u>---</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES			<u>\$ 444,847</u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF PORTER

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	General	Other Funds	Totals
REVENUE			
Property Taxes	\$ 163,579	\$ ---	\$ 163,579
State Grants	261,494	---	261,494
Permits and Licenses	77,618	---	77,618
Charges for Services	20,428	---	20,428
Interest	794	---	794
Other	30,513	---	30,513
TOTAL REVENUE	554,426	---	554,426
EXPENDITURES			
General Government	284,159	---	284,159
Public Safety	187,380	---	187,380
Public Works	68,156	---	68,156
Recreational and Cultural	---	---	---
Debt Service	---	---	---
Capital Outlay	---	---	---
TOTAL EXPENDITURES	539,695	---	539,695
EXCESS OF REVENUE OVER EXPENDITURES	14,731	---	14,731
OTHER FINANCING SOURCES <USES>			
Operating Transfers In	---	---	---
Operating Transfers Out	---	---	---
Transfers to Other Governments	-42,486	---	-42,486
TOTAL OTHER FINANCING SOURCES <USES>	-42,486	---	-42,486
NET CHANGE IN FUND BALANCES	-27,755	---	-27,755
FUND BALANCES - BEGINNING OF YEAR	119,632	---	119,632
FUND BALANCES - END OF YEAR	\$ 91,877	\$ ---	\$ 91,877

See Accompanying Notes to Financial Statements.

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

YEAR ENDED MARCH 31, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ -27,755**

Amounts reported for governmental activities in the statement of activities are different because:

- Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	-16,107	
Capital Outlay	<u>---</u>	
		-16,107

- Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid ---

- Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) ---

- Compensated absences are included in expenditures in the statement of activities but not in the governmental funds ---

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ -43,862**

TOWNSHIP OF PORTER

STATEMENT OF NET ASSETS

PROPRIETARY FUND

MARCH 31, 2006

	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash	\$ 5,355,780
Accounts Receivable	9,122
Prepaid Expenses	<u>---</u>
Total Current Assets	<u>5,364,902</u>
Non-current Assets	
Special Assessment Receivable	9,110,948
Construction in Progress	<u>15,122,666</u>
Total Non-current Assets	<u>24,233,614</u>
TOTAL ASSETS	<u>\$ 29,598,516</u>
 LIABILITIES	
Current Liabilities	
Current Portion of Bonds Payable	\$ 850,000
Accrued Interest	<u>281,813</u>
Total Current Liabilities	<u>1,131,813</u>
Long-Term Liabilities	
Bonds Payable	16,250,000
Deferred Revenue - Special Assessment	<u>9,110,948</u>
Total Long-Term Liabilities	<u>25,360,948</u>
TOTAL LIABILITIES	<u>26,492,761</u>
 NET ASSETS	
Invested in Capital Assets, Net of Related Debt	-1,977,334
Restricted for Debt Service	2,763,807
Restricted for Sewer Construction	2,303,553
Unrestricted	<u>15,729</u>
TOTAL NET ASSETS	<u>\$ 3,105,755</u>

See Accompanying Notes to Financial Statements.

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND**

FOR THE YEAR ENDED MARCH 31, 2006

	<u>Sewer Fund</u>
OPERATING REVENUE	
Charges for Services	<u>\$ 81,757</u>
OPERATING EXPENSES	
Salaries	13,805
Management Fees	34,250
Office Supplies	1,773
Telephone	5,684
Maintenance	2,010
Utilities	<u>8,567</u>
TOTAL OPERATING EXPENSES	<u>66,089</u>
OPERATING INCOME	15,668
NON-OPERATING REVENUE <EXPENSES>	
Special Assessment	3,327,691
Interest Income - Special Assessments	254,873
Interest Income - Other	282,023
Interest Expense	<u>-619,113</u>
TOTAL NON-OPERATING REVENUE <EXPENSES>	<u>3,245,474</u>
CHANGE IN NET ASSETS	3,261,142
NET ASSETS - BEGINNING	<u>-155,387</u>
NET ASSETS - ENDING	<u><u>\$ 3,105,755</u></u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF PORTER

STATEMENT OF CASH FLOW PROPRIETARY FUND

FOR THE YEAR ENDED MARCH 31, 2006

	<u>Sewer Fund</u>
CASH FLOW FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 72,635
Cash Payments for Goods and Services	-52,284
Cash Payments to Employees	-13,805
Cash Payments for Employee Benefits	---
	<u>6,546</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>6,546</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES	<u>---</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>---</u>
Increase <Decrease> in Accrued Interest	-57,237
Interest Expense	-619,113
Increase <Decrease> in Bonds Payable	-50,000
Special Assessment Revenue	3,327,691
Special Assessment Interest	254,873
	<u>2,856,214</u>
NET CASH PROVIDED FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>2,856,214</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Receipts of Interest and Dividends	282,023
Sale of Assets	---
Purchase of Assets	-9,288,424
	<u>-9,006,401</u>
NET CASH PROVIDED <USED> BY INVESTING ACTIVITIES	<u>-9,006,401</u>
NET INCREASE <DECREASE> IN CASH	-6,143,641
CASH - BEGINNING OF YEAR	<u>11,499,421</u>
CASH - END OF YEAR	<u><u>\$ 5,355,780</u></u>
RECONCILIATION OF OPERATING INCOME <LOSS> TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	15,668
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	---
Decrease <Increase> in Accounts Receivable	-9,122
Decrease <Increase> in Prepaid Expenses	---
Increase <Decrease> in Accounts Payable	---
	<u>---</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ 6,546</u></u>

See Accompanying Notes to Financial Statements.

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

MARCH 31, 2006

ASSETS

Cash	\$ 2,990
Accounts Receivable	---

TOTAL ASSETS	\$ 2,990
---------------------	-----------------

LIABILITIES

Due to Other Funds	\$ 2,990
Due to Other Entities	---
Due to Other Taxing Units	---

TOTAL LIABILITIES	\$ 2,990
--------------------------	-----------------

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to United States generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies.

A. REPORTING ENTITY

The Township of Porter covers an area of approximately 54 square miles located in Cass County, Michigan. The Township operates under an elected Board of Trustees consisting of five members and provides various services to its residents.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. appoints a voting majority of the organization's board, and has the ability to impose its will on the organization; or
2. there is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on the above criteria, no additional organizations or entities are included in these financial statements.

B. BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than Building and Site Funds) that are legally restricted to expenditures for specified purposes.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

B. BASIS OF PRESENTATION (CONTINUED)

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through use charges; or ((b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

FIDUCIARY FUNDS

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others, and include the Tax Collection Fund.

C. BUDGETS AND BUDGETARY ACCOUNTING

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets are adopted on the modified accrual basis of accounting. Amendments are by action of the Board.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the functional level.

D. PROPERTY TAXES

Real and personal property taxes are assessed as of December 31, and attach as an enforceable lien on property as of December 1 of the subsequent year. Taxes are due and payable as of February 28. The County of Cass prepares the tax bills for the Township, and the Township collects the taxes prior to return to the County. The property tax revenues in the accompanying financial statements were recognized as those levied during the year.

All unpaid taxes become delinquent after February 28, at which time the uncollected real taxes are returned to Cass County for collection and to be added to the delinquent tax rolls. The County of Cass purchases delinquent real property taxes of the Township of Porter. The County sells tax notes, the proceeds of which are used to pay the Township for the taxes. This will take place in June 2006. These taxes have been recorded as revenue for the current year.

The Township is authorized to assess 1 mill for general operations. Millage rates levied for 2005 were .7351 mills for operations. Total taxable value of real and personal property in the Township was \$150,627,567.

The Township is responsible for the collection of delinquent personal property taxes.

E. CASH EQUIVALENTS

The Township considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

F. FINANCIAL INSTRUMENTS

The Township does not require collateral to support financial instruments subject to credit risk.

G. SHORT-TERM INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

H. FUND EQUITY

Reservations of fund balance represent these portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. streets, bridges, drains) are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Vehicles	5-10 years
Other equipment	5-10 years

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

K. TOTAL COLUMNS ON COMBINED STATEMENTS

Total columns on the Combined Statements are captioned (Memo Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with United States generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

L. ESTIMATES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS:

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Township, by resolution, may authorize investment of surplus funds as follows:

1. In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
2. In certificates of deposit, savings accounts, or depository receipts of a bank, which is a member of the Federal Deposit Insurance Corporation; or a savings and loan association, which a member of the Federal Savings and Loan Insurance Corporation; or a credit union, which is insured by the National Credit Union Association; but only if the bank, savings and loan association, or credit union complies with Subsection (2).
3. In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. In United States government or Federal agency obligation repurchase agreements.
5. In bankers' acceptances of United States banks.
6. In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township is in compliance with State law regarding their cash deposits.

The Township maintains all of its cash deposits at two banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Book Value</u>	<u>Carrying Amounts</u>
Insured (FDIC)	\$ 181,866	\$ 200,000
Uninsured & Uncollateralized	5,258,820	5,263,976
Total Deposits	<u>\$ 5,440,686</u>	<u>\$ 5,463,976</u>

The differences between the book value and the bank carrying amounts are caused by deposits in transit and outstanding checks.

The construction funds for the sewer project are maintained by Cass County, and are considered uninsured.

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 3 - ACCUMULATED FUND DEFICITS

There was an accumulated fund deficit in the Sewer Fund at March 31, 2005. This fund was in the construction phase of a new sewer system, and the fund deficit was considered temporary until the completion of the system. In the year ended March 31, 2006, the Sewer Fund finished with \$15,729 of unrestricted net assets, eliminating the fund deficit.

NOTE 4 - DUE TO/FROM OTHER FUNDS

Due to/due from at March 31, 2006, consisted of the following:

<u>Due To:</u>		<u>Due From:</u>	
General Fund	<u>\$ 2,990</u>	Trust and Agency	<u>\$ 2,990</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	Balance April 1, 2005	Additions	Disposals and Adjustments	Balance March 31, 2006
Assets not being depreciated:				
Land	\$ 10,000	\$ ---	\$ ---	\$ 10,000
Capital assets being depreciated:				
Buildings	475,000	---	---	475,000
Vehicles	---	---	---	---
Equipment	34,282	---	---	34,282
Subtotal	509,282	---	---	509,282
Accumulated depreciation:				
Buildings	140,000	11,875	---	151,875
Vehicles	---	---	---	---
Equipment	10,205	4,232	---	14,437
Subtotal	150,205	16,107	---	166,312
Net capital assets being depreciated	359,077	-16,107	---	342,970
Net capital assets	<u>\$ 369,077</u>	<u>\$ -16,107</u>	<u>\$ ---</u>	<u>\$ 352,970</u>

Depreciation expense was not charged to activities as the Township considers its assets to impact multiple activities and allocation is not practical.

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Capital asset activity of the Township's Business-type activities was as follows:

	Balance April 1, 2005	Additions	Disposals And adjustments	Balance March 31, 2006
Assets not being depreciated:				
Land	\$ ---	\$ ---	\$ ---	\$ ---
Capital assets being depreciated:				
Building and building improvements	---	---	---	---
Sewer System	5,834,242	9,288,424	---	15,122,666
Equipment	---	---	---	---
Subtotal	5,834,242	9,288,424	---	15,122,666
Accumulated depreciation:				
Building and building improvements	---	---	---	---
Sewer System	---	---	---	---
Equipment	---	---	---	---
Subtotal	---	---	---	---
Net capital assets being depreciated	5,834,242	9,288,424	---	15,122,666
Net capital assets	\$ 5,834,242	\$ 9,288,424	\$ ---	\$ 15,122,666

NOTE 6 - EXPENDITURES IN EXCESS OF BUDGET

During the year ended March 31, 2006, the Township incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
General Fund			
Transfers Out	\$ ---	\$ 42,486	\$ 42,486

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 7 - RETIREMENT PLAN

During the year ended March 31, 2006, the Township did not participate in any retirement plan.

NOTE 8 - ACCUMULATED SICK AND VACATION PAY

Amounts accumulated for accrued sick and vacation pay are immaterial and have not been entered in the accounting records.

NOTE 9 - RISK MANAGEMENT AND LITIGATION

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the Township has obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. At March 31, 2006, various claims exist, but no provision has been entered into the accounting records because possible losses cannot be reasonably estimated.

NOTE 10 - BONDS PAYABLE

On April 1, 2004, the Township made an agreement with Cass County to pay bonds for the construction of a sewer system. The bonds total \$17,150,000, and principal payments are due May 1 beginning in 2005 and ending in 2024. Interest is payable on May 1 and November 1 each year. Interest rates range from 3.00% to 4.625%.

NOTE 10 - BONDS PAYABLE (CONTINUED)

The bonds are payable as follows:

Year ending March 31	Bond Principal	Interest Rate	Interest Due May 1	Interest Due November 1	Total Due
2007	\$ 850,000	3.500%	\$ 338,175	\$ 323,300	\$ 1,511,475
2008	950,000	3.500	323,300	306,675	1,579,975
2009	900,000	3.500	306,675	290,925	1,497,600
2010	900,000	3.000	290,925	277,425	1,468,350
2011	900,000	3.250	277,425	262,800	1,440,225
2012	900,000	3.500	262,800	247,050	1,409,850
2013	900,000	3.500	247,050	231,300	1,378,350
2014	900,000	3.750	231,300	214,425	1,345,725
2015	900,000	4.000	214,425	196,425	1,310,850
2016	900,000	4.000	196,425	178,425	1,274,850
2017	900,000	4.125	178,425	159,863	1,238,288
2018	900,000	4.200	159,862	140,962	1,200,824
2019	900,000	4.300	140,963	121,613	1,162,576
2020	900,000	4.400	121,612	101,812	1,123,424
2021	900,000	4.500	101,813	81,563	1,083,376
2022	900,000	4.500	81,562	61,312	1,042,874
2023	900,000	4.500	61,313	41,063	1,002,376
2024	900,000	4.500	41,062	20,812	961,874
2025	900,000	4.625	20,813	---	920,813
\$ 17,100,000			\$ 3,595,925	\$ 3,257,750	\$ 23,953,675

NOTE 11 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains one Enterprise Fund providing sewer services. Segment information for the year ended March 31, 2006, is as follows:

Operating Revenues	\$ 81,757
Operating Expenses Before Depreciation	66,089
Depreciation	---
Operating Income	15,668
Net Earnings	3,261,142
Total Assets	30,487,568
Long-Term Debt	17,100,000
Total Net Assets	3,105,755

TOWNSHIP OF PORTER

NOTES TO FINANCIAL STATEMENTS

NOTE 12 - SPECIAL ASSESSMENT

A Special Assessment district has been established by the Township to collect monies for the payment of the Bonds for the sewer project. These assessments could be paid interest free until May 1, 2005, or in annual installments over 20 years, including interest. The Township records all uncollected special assessments as deferred revenue.

Total special assessment	\$ 12,555,226
Amounts collected - prior years	-116,587
Amounts Collected - current year	<u>-3,327,691</u>
Receivable/Deferred Revenue	<u>\$ 9,110,948</u>

NOTE 13 - FIRE AND AMBULANCE DEPARTMENTS

Beginning October 1, 2005, the Township fire protection and ambulance services were contracted with Southeast Public Safety Authority. (SEPSA) The cash resources of the Fire Fund (\$3,437) were transferred to SEPSA, as were the vehicles and equipment owned by the Township. Beginning October 1, 2005, the Township began paying SEPSA \$14,014.77 per month for these services. Total amount paid to SEPSA during the year ended March 31, 2006 was \$118,087.

NOTE 14 - NEWBERG TOWNSHIP AGREEMENT

Effective April 1, 1999, the Township sold fire and ambulance equipment to Newberg Township for \$175,000. Part of this agreement is a contract for Newberg Township to provide fire and ambulance services to the northern part of Porter Township. The total cost of this agreement is 2% of state equalized value of property in the district (\$63,279) in the current fiscal year). Porter Township pays \$27,000 to Newberg Township, and the balance due reduces the balance of the equipment sale agreement.

Contract Balance - Beginning of Year	\$ 42,486
Amount transferred to Southeast Public Safety Authority	<u>-42,486</u>
Contract Balance - End of Year	<u>\$ ---</u>

This contract is currently being re-negotiated with Newberg Township.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF PORTER

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

YEAR ENDED MARCH 31, 2006

	Budgeted Amounts		Actual	Variance
	Original	Final	(Budgetary Basis)	
REVENUE				
Property Taxes	\$ 148,194	\$ 148,194	\$ 163,579	\$ 15,385
State Shared Revenue	260,000	260,000	261,494	1,494
Permits and Licenses	43,850	43,850	77,618	33,768
Charges for Services	14,250	14,250	20,428	6,178
Interest	1,000	1,000	794	-206
Other	75,000	75,000	30,513	-44,487
Transfers In	---	---	---	---
TOTAL REVENUE	542,294	542,294	554,426	12,132
EXPENDITURES				
General Government	292,447	292,797	284,159	8,638
Public Safety	196,908	199,908	187,380	12,528
Public Works	84,570	84,570	68,156	16,414
Recreation and Culture	---	---	---	---
Debt Service	---	---	---	---
Capital Outlay	---	---	---	---
Other Uses - Operating Transfers Out	---	---	42,486	-42,486
TOTAL EXPENDITURES	573,925	577,275	582,181	-4,906
EXCESS OF REVENUE OVER <UNDER> EXPENDITURES AND OTHER USES	-31,631	-34,981	-27,755	7,226
BUDGETARY FUND BALANCE - April 1, 2005	119,632	119,632	119,632	---
BUDGETARY FUND BALANCE - March 31, 2006	\$ 88,001	\$ 84,651	\$ 91,877	\$ 7,226

MARCH 31, 2006

Cash	\$ 81,916
Investments	---
Contract Receivable	---
Taxes and Fees Receivable	11,044
Due from Other Funds	<u>2,990</u>

\$ 95,950

LIABILITIES

Accounts Payable	\$ 3,474
Payroll Taxes Payable	599
Due to Other Funds	---
TOTAL LIABILITIES	4,073

Reserved	100
Unreserved - Designated	---
Unreserved - Undesignated	91,777
TOTAL FUND BALANCE	91,877

\$ 95,950

TOWNSHIP OF PORTER

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2006

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE			
Taxes And Penalties			
Property taxes	\$ 106,474	\$ 110,731	\$ 4,257
Administration fees	33,000	44,346	11,346
Set fee	8,500	8,458	-42
Penalties and interest	220	44	-176
Total Taxes And Penalties	148,194	163,579	15,385
Licenses And Permits			
Dog licenses	100	112	12
Mobile home fees	150	150	---
Cable vision fees	8,000	9,253	1,253
Electrical permits	9,000	11,555	2,555
Sewer Electrical Permits	---	1,750	1,750
Building permits	12,000	27,331	15,331
Mechanical permits	6,600	7,160	560
Plumbing permits	8,000	4,577	-3,423
Sewer Plumbing Permits	---	15,730	15,730
Total Licenses And Permits	43,850	77,618	33,768
State Revenue			
State Shared Revenue	260,000	261,494	1,494
Other	---	---	---
Total State Revenue	260,000	261,494	1,494
Charges For Services			
Zoning enforcement	500	150	-350
Zoning appeals and compliance	4,000	4,870	870
Land division applications	1,500	1,525	25
Copies	150	136	-14
Grave openings	3,000	4,600	1,600
Cemetery lot sales	2,000	2,620	620
Zoning book sales	100	110	10
Dust Control	3,000	6,417	3,417
Total Charges For Services	14,250	20,428	6,178

	Budget	Actual	Variance Favorable <Unfavorable>
REVENUE (CONTINUED)			
Interest	1,000	794	-206
Refunds and Reimbursements	75,000	30,513	-44,487
Transfers In	---	---	---
TOTAL REVENUE	\$ 542,294	\$ 554,426	\$ 12,132

EXPENDITURES

General Government

Legislative Board

Salaries and wages	\$ 6,037	\$ 6,037	\$ ---
Payroll taxes	8,000	10,771	-2,771
Website	170	215	-45
Office supplies	8,000	5,847	2,153
Postage	---	7,550	-7,550
Operating Supplies	---	618	-618
Audit fees	4,850	4,850	---
Payroll processing	1,000	1,141	-141
Legal fees	40,000	27,285	12,715
Tax roll	10,000	16,303	-6,303
Conferences and workshops	1,000	---	1,000
Printing and publishing	2,000	2,346	-346
Insurance and bonds	15,000	3,463	11,537
Miscellaneous	---	140	-140
Bank charges	100	9	91
Membership dues	2,800	3,335	-535
Clean Up Day	6,500	5,614	886
<i>Total Legislative Board</i>	<i>105,457</i>	<i>95,524</i>	<i>9,933</i>

TOWNSHIP OF PORTER

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED MARCH 31, 2006

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<i>Supervisor</i>			
Salaries and wages	\$ 14,700	\$ 14,700	\$ ---
Mileage	---	---	---
<i>Total Supervisor</i>	14,700	14,700	---
<i>Elections</i>			
Salaries and wages	1,500	1,663	-163
Office supplies	500	---	500
Postage	---	---	---
Mileage	---	---	---
Conferences	---	---	---
Printing	---	43	-43
Equipment repair	---	---	---
<i>Total Elections</i>	2,000	1,706	294
<i>Assessor</i>			
Inspection Fees	59,400	62,064	-2,664
Postage	---	78	-78
Printing and Publishing	1,500	---	1,500
<i>Total Assessor</i>	60,900	62,142	-1,242
<i>Board of Review</i>			
Salaries and wages	2,719	2,079	640
Mileage	---	5	-5
Printing	---	297	-297
Conferences	---	337	-337
<i>Total Board of Review</i>	2,719	2,718	1
<i>Clerk</i>			
Salaries and wages	15,250	15,250	---
Mileage	---	---	---
<i>Total Clerk</i>	15,250	15,250	---

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
General Government (Continued)			
<i>Treasurer</i>			
Salaries and wages	17,850	17,850	---
Mileage	---	---	---
<i>Total Treasurer</i>	17,850	17,850	---
<i>Township Hall</i>			
Clerical	25,000	30,452	-5,452
Telephone	4,500	6,277	-1,777
Utilities	3,000	3,499	-499
Mileage	---	1,553	-1,553
Equipment repair	---	1,218	-1,218
Building maintenance	24,500	12,923	11,577
Trash, lawn, snow	1,000	1,096	-96
Safe deposit box	---	25	-25
<i>Total Township Hall</i>	58,000	57,043	957
<i>Cemeteries</i>			
Clerical	---	1,282	-1,282
Grave Openings/Closings	---	3,775	-3,775
Office Supplies	---	---	---
Mileage	---	161	-161
Veteran's Flags	---	---	---
Lawn, Trash, Snow	---	1,010	-1,010
Conferences	---	---	---
Memberships and Dues	---	---	---
Ground Maintenance	15,921	10,998	4,923
<i>Total Cemeteries</i>	15,921	17,226	-1,305
Total General Government	\$ 292,797	\$ 284,159	\$ 8,638

TOWNSHIP OF PORTER

GENERAL FUND STATEMENT OF REVENUE AND EXPENDITURES BUDGET AND ACTUAL

YEAR ENDED MARCH 31, 2006

	Budget	Actual	Variance Favorable <Unfavorable>
EXPENDITURES (CONTINUED)			
Public Safety			
<i>Building Inspector</i>			
Inspection fees	\$ 21,129	\$ 20,322	\$ 807
Telephone	---	---	---
Memberships	---	---	---
Conferences and Workshops		75	-75
<i>Total Building Inspector</i>	21,129	20,397	732
<i>Mechanical Inspector</i>			
Inspection fees	6,483	6,483	---
<i>Electrical Inspector</i>			
Inspection fees	13,128	12,915	213
<i>Fire Department - SEPSA</i>			
Administration	130,000	118,087	11,913
Other	---	211	-211
<i>Total Fire Dept.- SEPSA</i>	130,000	118,298	11,702
<i>Plumbing Inspector</i>			
Inspection Fees	13,581	13,581	---
<i>Zoning</i>			
Salaries and Wages	8,229	6,696	1,533
Office Supplies	---	102	-102
Mileage	---	742	-742
Printing and Publishing	---	808	-808
Legal Fees	---	---	---
<i>Total Zoning</i>	8,229	8,348	-119
<i>Zoning Administrator</i>			
Salaries	7,358	7,358	---
Total Public Safety	\$ 199,908	\$ 187,380	\$ 12,528

	Budget	Actual	Variance Favorable <Unfavorable>
Public Works			
<i>Highways and Roads</i>			
Administration	\$ ---	\$ 450	\$ -450
Dust Control	9,446	8,996	450
Drains	75,124	58,710	16,414
<i>Total Highways and Roads</i>	84,570	68,156	16,414
Total Public Works	84,570	68,156	16,414
Capital Outlay			
Township Hall	---	---	---
Fire Department	---	---	---
Total Capital Outlay	---	---	---
Transfer to Other Governments	---	42,486	-42,486
TOTAL EXPENDITURES	\$ 577,275	\$ 582,181	\$ -4,906

PORTER TOWNSHIP

TRUST AND AGENCY FUNDS BALANCE SHEET

MARCH 31, 2006

ASSETS

Cash	<u>\$ 2,990</u>
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LIABILITIES

Due to Other Funds	2,990
Due to Other Governments	<u>---</u>
	<u>\$ 2,990</u>

**CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

YEAR ENDED MARCH 31, 2006

	03-31-05			03-31-06
	Balance	Receipts	Disbursements	Balance
ASSETS				
Cash	\$ 872	\$ 4,165,072	\$ 4,162,954	\$ 2,990
LIABILITIES				
Due to General Fund	\$ 158	\$ 150,971	\$ 148,139	\$ 2,990
Due to Sewer Fund	---	63,546	63,546	---
Due to County	239	2,582,135	2,582,374	---
Due to Schools	475	1,351,541	1,352,016	---
Due to Other	---	16,879	16,879	---
	\$ 872	\$ 4,165,072	\$ 4,162,954	\$ 2,990

**PORTER TOWNSHIP
CURRENT TAX COLLECTION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS**

YEAR ENDED MARCH 31, 2006

RECEIPTS

Tax Collections	<u>\$ 4,165,072</u>
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DISBURSEMENTS

Township General Fund	\$ 148,139
Constantine Schools	978,342
White Pigeon Schools	273,994
Three Rivers Schools	27,942
Cassopolis Schools	71,738
Township Sewer Fund	63,546
Cass County	2,582,374
Other	<u>16,879</u>
	<u>\$ 4,162,954</u>

3775 Kimmel Road

(517) 937-9333 Phone / 563-2552

Fax

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board
Porter Township

We have audited the general-purpose financial statements of the Township of Porter as of and for the year ended March 31, 2006, and have issued our report thereon dated May 11, 2006. We conducted our audit in accordance with United States generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township of Porter's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Porter's control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of Township Board, management and the State of Michigan. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Karl L. Drake". The signature is written in dark ink and is positioned above the printed name and title.

Karl L. Drake, P.C.
Certified Public Accountant

May 11, 2006

Karl L. Drake, P.C.
Certified Public Accountant

3775 Kimmel Road

Fax

(517) 937-9333 Phone / 563-2552

May 11, 2006

To the Township Board
Porter Township

I have recently completed the audit of the books and records of Porter Township for the year ended March 31, 2006, and would like to take this opportunity to make the following comments and recommendations.

Financial Position

The general fund finished the year with a fund balance of \$91,877. This is a decrease from the prior year level by \$27,755. Construction is continuing in the sewer fund, and collections for usage are just beginning.

Budget Variances

During this fiscal year, the general fund expenditures exceeded budgeted amounts by almost \$5,000. This is a violation of State of Michigan law. It is necessary, if a budgetary category is going to be overspent, to amend the budget at a Township Board meeting.

Office Environment

During the audit, the office environment was extremely tense. I understand that the sewer issue continues to be a hotly disputed topic. At some point, the disagreements between the parties need to be set aside. The office needs to be operated in a professional and courteous manner toward each other, and toward all Township residents who stop by. This needs to be true regardless of which side of the sewer issue you are on.

Adjusting Entries

The following adjustments were made to reconcile the year-end accounting information maintained by the Township Clerk.

1. Prior year accounts payable were reversed from the accounting records.
2. Current year accounts payable were entered into the accounting records.
3. Minor adjustments were made to reconcile the payroll taxes and withholding accounts.
4. Various expenditure items were reclassified into other accounts.
5. Cash and tax accounts were reconciled.
6. Administration receipts were reclassified.

Clerk's Records

During this past fiscal year, due to illness and other issues, the Clerk was away from her office for an extended period of time. During this time, the Township's general ledger accounting records were not updated, and the normal procedures of comparing records with the Treasurer were not done. Also, up-to-date financial reports were not available for the Board.

At the end of the year, the Clerk's records were not reconciled with the Treasurer's balances and audit adjustments were necessary to complete the Clerk's financial records.

We recommend that a deputy clerk be trained to fill in for the clerk in these types of circumstances. This allows internal controls to remain in place, and ensures the consistency of monthly financial reporting

Fund Balance Accounting Software

Currently, all accounting information is entered into the accounting software using journal entries. This works, but there are other methods (cash receipts, cash disbursements, etc.) which incorporate other features of the software which would make it easier to take advantage of options available with the software. We recommend that additional training courses be attended to learn to fully utilize the software. This would streamline the data entry, and improve the reporting features currently available.

Thank you for the opportunity to work with you. Please call my office if there are any questions regarding any aspect of the audit.

Sincerely,

A handwritten signature in cursive script that reads "Karl L. Drake".

Karl L. Drake, CPA